



University of Missouri System

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Office of the President

President's Report, Board of Curators Meeting—Kansas City, Mo.

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The following represents the President's Report as prepared

(Slide 1)

Good morning. It's great to be with you today.

Today I am going to be talking to you about the state of the university — including a snapshot of our four-campus system, where we stand on each of our six strategic priorities and a glimpse of where we are going in 2013.

(Slide 2)

First, I'd like to recognize a milestone for this board — for the first time since I've been here, today we have a full board of curators. I'd like to thank Governor Nixon for his excellent appointees and welcome our newest curators. Will you please stand as I call your name:

- Ann Covington of Columbia;
- John Phillips of Kansas City; and
- We also welcome Michael Ponder of Cape Girardeau, who couldn't be here with us today.

Serving on the Board of Curators is one of the greatest commitments one can make to the University of Missouri System and public higher education in general. Thank you for your service, and I look forward to working with each of you, as well as the rest of the board.

I would also like to acknowledge Wayne Goode, who is our new board chair. Wayne has devoted his life to education and public service, and I am confident he will be an extraordinary leader for this group.

There is one person missing from the board today, and that's Warren Erdman, who served the board with distinction since 2007. Warren helped guide the university through several transitions in leadership and helped to encourage me to apply for this position. I am, and will continue to be, grateful for his support, advice and leadership.

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As is customary for the first board report of the year, today I am going to bring you up to date on where we are and where we're headed in the new year.

2013 is a big year for the system, which was created 50 years ago in 1963. Later this evening I will be on the UMSL campus to mark this milestone at the campus's Jubilee celebration. And, not only have we just wrapped up a calendar year, but I am also nearing my one-year anniversary as president.

Let me begin by saying the university is on solid ground, and through careful planning, we will continue to flourish. We were able to pass a balanced budget last year, and we will continue to make prudent decisions to ensure the long-term viability of this great institution.

In my role as president, I have crisscrossed the state and nation, visiting with civic groups, elected officials, parents, students and education groups.

I can say unequivocally that I have never learned so much in a single year. And I can also tell you that throughout this state, the University of Missouri's four campuses hold a special place in the hearts of many Missourians.

Whether alumni, parents or students, employees or retirees, sports fans or those who have been helped by Extension or health care network, our roots run deep in the Show Me State.

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The lead story for the University of Missouri System in 2012 was our continued record growth. Our enrollment grew about 2 percent — bringing total enrollment to more than 75,000 students. We did this at a time when enrollment was flat at universities across the nation and enrollment was down at two-year colleges. In other words, we continue to increase our market share and serve more students who seek a quality education.

As you can see in the slide here, looking back over the past dozen years, we've grown by about 19,000 students — the equivalent of adding a new four-year campus in the state — a campus that would be the third largest in the state after MU and MSU.

During the same time, the UM campuses have accounted for nearly 90 percent of the full-time undergraduate enrollment growth among the state's four year institutions.

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And we're not just getting bigger — we're getting better. In 2012, our campuses continued to set records for diversity and the quality of students they attracted. Nearly a third of our first-time freshmen throughout the system were in the top 10 percent of their class; their average ACT score was 25.6 — more than four points above the national average.

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At the same time we've experienced extraordinary growth, we've pared down our administrative costs. Last year, the UM System realized more than \$80 million in administrative efficiencies and operating effectiveness measures.

This past year we also launched our new retirement program, which I'll be talking to you about in more detail shortly. This 401K-like retirement savings plan will ultimately improve efficiency and ensure our long-term financial viability.

It's important to note that because of the tough budget choices we have made, we have been able to retain our affordability.

So, while surrounding states have raised state tuition and fees on average more than 6 percent annually during the past five years, ours has risen an average of just 2.3 percent.

In 2012 we also had many legislative successes, and we're building on those this year. At his State of the State address earlier this week, Governor Nixon reiterated the importance of higher education to the state and his commitment to ensuring more of our state's sons and daughters have the opportunity to attend college.

The 4 percent year-over-year increase in state funding that he has recommended is appreciated.

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Let me also mention something I know is on the minds of many of our faculty, staff, students and parents: campus safety.

I can tell you that the safety of our campuses is and will continue to be top of mind for me and my team.

You should know that hundreds of our faculty and staff members have gone through training with our campus safety teams.

We are making plans to confront the unimaginable — to identify warning flags before an event can occur. And, we have made significant investments to increase security on each of our campuses.

We continue to think that decisions about how to maintain a safe environment is best decided on a local level — by you the board, and by our chancellors and their safety teams.

I will be sending out a message later this month that goes into more detail about this issue — and provides resources for students, faculty and staff.

(Slide 8)

Now that I've given you the big picture of where we're at— let me drill down a bit.

Last year, I announced six areas where the system would be focusing. These six strategic priorities will allow the university to better execute its core mission areas of teaching, research, service and economic development.

They are:

- Strategic Planning
- Attracting and Retaining the Best People
- Expanded Research and Economic Development
- Operational Excellence
- Innovative Instruction
- Effective Communication of our Value and Importance

Now I will touch on each of these areas and share what progress we've made.

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Strategic Planning

Last year the planning process was kicked off and it is well underway and on track for completion by June. Draft strategy statements have been developed by each of the campuses. The development of these statements is forcing the campuses to focus on how and where they will achieve best-in-class performance.

The strategy articulates the campus objective that is both time-bound and measurable; a specific scope that identifies who will be served; and the campus advantage that supports achievement of the strategy.

The strategy for each campus and the system will drive tradeoffs — what we will do and by implication what we will not do. These strategy statements will serve as our anchor as we move ahead, and ensure each campus is working toward its own, unique goal.

They will be our beacon by which every decision will be evaluated.

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The next area I will discuss is **Attracting and Retaining the Best People**.

As I mentioned earlier, after three years of research, discussion and implementation, last year we launched the new retirement plan. This plan reduces the university's long-term retirement plan risk while providing a valuable benefit to employees.

It should be noted that faculty and staff from across the system drove the end result and were full participants in the discussions, analyses and design.

We were also able to piggyback on the new retirement plan project and completely revamp the Voluntary Retirement Program, making these plans more cost effective, accessible, understandable and portable.

That said, our existing pension plan for employees who started with us before the fall, continues to be secure. Our pension plan is among the most stable, well-funded plans in the nation. In fact, our plan is in the top 25 percent of pension plans at large institutions like ours in terms of financial stability.

And, with the introduction of the new retirement plan, the pension plan will continue to remain in good standing — unlike the pension plans collapsing in many cities and states.

We will be revisiting our retirement plan actuarial assumptions this year and making any adjustments that are needed to ensure future continued viability of the plan.

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The next area I'd like to address is our effort to **Expand Research and Economic Development**.

As you just heard from Mike Nichols, Research and Economic Development continues to be a cornerstone of the University of Missouri.

The system's funding opportunities such as the Enterprise Investment Program and FastTrack funds ensure that we can help our faculty members' innovations gain momentum and, when appropriate, be carried into the market.

We perform 95 percent of the sponsored research at Missouri's public universities and help grow the jobs of tomorrow at our network of research parks and incubators. Quite simply, the research and jobs we create is what defines us and separates us from other four-year universities in the state. I look forward to our continued progress in this area.

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Our **Operational Excellence initiative** is bringing about more efficiencies and effectiveness systemwide.

In 2012, the first phase of our Commitment, Planning and Support Systems project went live with the goal of providing systematic support for budgeting and strategic planning. It is expected to save the system millions in both process savings as well as the ability to manage our resources more effectively.

Last year, we launched the first phase of our Order to Pay project, which realizes "hard savings" through payment discounts and increased revenues from credit card rebates, and "soft savings" by achieving process efficiency. The project went live in November of 2012, and when implementation is fully achieved, it is estimated save in excess of \$2 million annually.

The most significant effort of the Operational Excellence Initiative continues to be the development of project governance and prioritization over the systemwide IT-enabled project portfolio.

Representatives throughout the UM System spanning Student, Finance, HR and IT are collaborating to prioritize the project portfolio with the goal of strategically targeting central IT resources to advance the university's goals.

In total, our OEI initiatives are projected to save this year approximately \$3.5 million, and the entire portfolio of initiatives will provide significant savings over the next five years, freeing up resources to target more mission-critical activities.

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Next I'd like to talk to you about an area that is increasingly important to our students today, and an area that will be pivotal to our success in the future: **Innovative Instruction**.

During the past two years, the Office of Academic Affairs funded the development of more than 125 online courses and 12 certificate or degree programs. Most of these courses are now complete and are searchable through our newly released UM eLearning portal. Faculty members on our campuses are showing an increased interest and the campuses are making additional investments in eLearning as well.

Early results from data collected in the summer and fall 2012 terms indicate approximately a 20 percent increase in both student credit hours and in the number of students taking at least one completely online course. Comparatively, a recent national survey found only a 10 percent increase in the number of students taking at least one completely online course.

2012 also marked the reintroduction of the UM Faculty Scholars program. This is a program that helps new faculty successfully launch their careers at the University of Missouri. The stimulus for restarting this program grew out of my meetings with early career faculty members during my first few months here. The program includes both systemwide and campus workshops and online resources to help new faculty members become successful in the classroom and with their research efforts. A key component of the UM Faculty Scholars program is a focus on innovative instruction and eLearning applications.

Finally, for the past two years, Academic Affairs has taken the lead in coordinating a statewide course redesign initiative in which each of Missouri's 13 public four-year institutions is redesigning at least one major gateway course to improve student learning, persistence and program completion.

The initiative also aims to reduce the costs of instruction by integrating eLearning technologies into the classroom.

As of fall 2012, Missouri's universities completed fourteen redesigns. This type of change initiative — lead by the University of Missouri faculty — has the potential to transform learning in today's college classrooms.

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The final area I will cover today is **Effective Communication of our Value and Importance**.

This past year, we continued our "Advancing Missouri" theme, and made major strides toward raising awareness about the overall reach of our four campuses, 10 research parks and incubators, network of hospital and clinics and our vast Extension program.

We also continued to reach out to constituencies in a more proactive way, equipping them with messages and talking points so they, too, can serve as ambassadors, as well as engage them in some of our new message development.

With a new year beginning, I've been visiting with various groups and talking to them about the University of Missouri. Although I find that people are generally supportive of the UM System, I am disturbed by some of the growing skepticism I hear about higher education.

The new president of Purdue recently highlighted some of these concerns. Some people will tell you that a college education doesn't pay off like it used to; they will tell you higher education is too expensive and that students graduate with debt they'll never get out from under.

The founder of PayPal has gone on the record saying, simply, "Too many kids go to college."

I'm here today to tell you they are wrong. And, I'm interested in engaging in these conversations and setting the record straight.

In looking at survey results, and after talking with my vice presidents, my Friends of the President group and others, it's clear to me that here in Missouri, Missourians are looking for value. They want to be "shown" how the university is creating value for the state. Coming into my second year as university president, I will be talking a lot about value. Our "Show Me Value" campaign will include new messaging for me as I continue to travel the state, as well as targeted campaigns throughout the state using a variety of mediums.

This message lays out very clearly — whether you're looking at lifetime earnings, health or opportunity — that there is no better avenue to success than attending one of our four campuses.

As you can see, we continue to make significant progress in each of our strategic areas — and we're teeing up projects that we expect will yield success in the near future.

That's a snapshot of 2012. Now let me touch on what's happened this month and where I see things going in the future.

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At the beginning of 2013, the UM System announced a reorganization plan that aligns the executive team at the system with the strategic direction of the campuses.

These changes will help keep pace with the changing dynamics of higher education, better serve constituencies on the four University of Missouri campuses and enhance operational efficiencies systemwide.

The previously separate roles of vice presidents of Academic Affairs and Research and Economic Development will be combined into a new Vice President for Academic Affairs and Research. This person will lead the system's strategic planning efforts, which will guide the university's strategies, actions and budget in the next five years and beyond, as well as the institutional research, student access and success, academic program review and eLearning functions at the system.

The system's Government Relations and Strategic Communications departments were also combined into University Relations, allowing for even more seamless communication with our diverse stakeholders at the local, state and national level.

And, sadly, I must also share that Nikki Krawitz, vice president of Finance and Administration, announced she will be retiring in June. Nikki is a highly respected and trusted resource. We have benefited from her tireless advocacy for public higher education, and in particular from her expert management of our financial resources.

(Slide 16)

Before I conclude, I'd like to speak to you about where I see things headed this year and into the future.

Although the evidence is clear that higher education continues to be a tremendous value — to individuals, communities, our state and nation, the truth is that we are in a time of great transition.

Last week, Moody's released a report titled "U.S. Higher Education Outlook Negative in 2013." The financial analysts cited softening in federal funding and anemic household income growth among other factors in their report.

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Let me read you a quote from the report that resonated with me:

"Universities now require board and senior management teams that can produce competitive strategies, transparent policies, and effective oversight as well as decisive action on important subjects or in times of crisis."

Competitive. Transparent. Decisive.

Throughout 2013 and the years ahead, we must be all of these things.

And the backbone of our ability to adjust to these market forces is, and continues to be, our strategic planning efforts.

Look, I know that “strategic planning” can sound stuffy; something administrators do in a vacuum that produces reports that rarely see the light of day. But that could not be further from what we are in the process of doing on each of our campuses.

Through our inclusive process, we will have clarity about where we are going and why. These strategy statements will lead to campuswide focus and alignment. In essence, we will have everyone on the same page — and this will influence matters ranging from how we decide budgets to who we hire and what kind of students we admit.

They are unifying statements that bring all constituencies together around a common goal.

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In an era of diminishing resources, there has never been a more important time for us to progress together, to be nimble in the face of challenges, to be accountable and to take measured risks.

The bottom line is the university will continue its historic role as the state’s premier land-grant university, but the entire system must be poised to take strategic risks and move forward faster than ever before.

Again, thank you for your time and the unique opportunity to lead this great institution.